

Oklahoma

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Ernest G. Johnson, Director
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TO: Brad Ramsey, NARUC Deputy Assistant General Counsel
FROM: Tommy Raulston, Telecommunications Analyst
DATE: March 8, 1996
SUBJECT: Interconnection Questions

The Oklahoma Corporation Commission is preparing for a hearing tomorrow, March 7, 1996 on rules to permit local competition. The questions asked in your survey have been answered with references to the applicable section of staff's proposed rules where the issue is addressed. A copy of the relevant section have also been FAXed. PLEASE UNDERSTAND THAT EVEN AS I AM TYPING THESE WORDS THAT THE PROPOSED RULES ARE BEING MODIFIED. If you have any questions, please call me at (405)-522-3355.

1. Certification Requirements and Removal of Barriers to Entry: 165:55-3-1 to 165:55-3-5 pp.12-17
2. Interconnection and Collocation: 165:55-17-13 pp.79-80 and 165:55-17-11 p.78
- 3(a). Unbundled Access: 165:55-17-11 p.78-79
- 3(b). Pricing of Unbundled Access: 165:55-17-27 pp.83-84
- 3(c). Rates, Terms, and Conditions: 165:55-17-13 pp.79-80
4. Mutual Compensation: 165:55-17-15 pp.80-81
5. Resale: 165:55-17-9 pp.77-78
6. Number Portability: 165:55-17-17 pp.80-81
7. Dialing Party: 165:55-17-17 pp. 80-81
8. Universal Service: 165:55-17-19 p.81 and 165:55-17-21 pp.81-82
10. Geographic Averaging: No proposed Commission policy

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ordered by the Commission. This Section shall not be deemed to amend any different time frames for filing specific tariffs set forth elsewhere in this Chapter.

165:55-1-15. Exclusions

The term "telephone-company telecommunications service provider" as used in this Chapter shall not include DCCs, which shall be regulated as provided for by OAC 165:55-1-8.

SUBCHAPTER 3. CERTIFICATES, REPORTS, AND RECORDS

PART 1. CERTIFICATES OF CONVENIENCE AND NECESSITY

Section

165:55-3-1. Certificate of convenience-and-necessity Convenience and Necessity

PART 3. GENERAL REQUIREMENTS FOR RECORDS AND REPORTS

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**PART 1. CERTIFICATES OF CONVENIENCE AND NECESSITY/
CERTIFICATE OF AUTHORITY TO OPERATE**

165:55-3-1. Certificate of convenience-and-necessity Convenience and Necessity

(a) Necessity-for-certificate Requirement for Certificate of Convenience and

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Necessity. No person ~~telecommunications service provider or IXC~~ shall furnish telephone ~~telecommunications~~ service to any customer or subscriber ~~and user~~ in Oklahoma without first having secured a certificate of convenience and necessity Certificate of Convenience and Necessity from the Commission.

(b) Application for Certificate of Convenience and Necessity. ~~Application An~~ application for certificate shall be made pursuant and in conformance with to the requirements of 47 ~~O.S.~~ 104 ~~et seq.~~ Oklahoma law shall conform to the requirements thereof and any additional requirements set forth in this Chapter. ~~Applications An original and eight (8) copies of the applications for certificates of convenience and necessity~~ Certificate of Convenience and Necessity shall be filed at the Commission's Office of the Court Clerk accompanied by the established filing fee.

(c) Application requirements for Certificate of Convenience and Necessity. Every company ~~telecommunications service provider or IXC~~ making application to the Commission for a certificate of convenience and necessity Certificate of Convenience and Necessity to provide telecommunications services in Oklahoma shall include, as an attachment thereto, its proposed initial tariffs supported by an affidavit of an officer of the applicant certifying that the rates and charges are lawful, fair, just, and reasonable because of facts set forth in the affidavit the information required pursuant to ~~OAG 198-55-2-9(d)(4) et seq~~ he required to demonstrate its financial, managerial and technical ability to provide the requested telecommunications services in the State of Oklahoma. An application for a Certificate of Convenience and Necessity shall include information and attachments which are certified as true and correct by an officer of any corporate applicant or an authorized representative of an unincorporated applicant.

(1) The application shall contain the following information:

(A) The complete name, including any trade name under which business is conducted pursuant to 18 O.S. (1981) § 1149, corporate or other designation, street address and home address(es) of principal or corporate officers of the entity proposing to sell local exchange telecommunications services to the public in the State of Oklahoma.

(B) Not different from those provided pursuant to subparagraph (1)(A) of this Section, the names and address(es) of all officers and corporate or primary officers of the applicant for a Certificate of Convenience and Necessity located in the State of Oklahoma and the name(s) and address(es) of senior management personnel responsible for Oklahoma

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operations.

(C) A written affirmation signed by someone with authority to bind the corporation or entity, that the applicant is familiar with and will comply with all federal and state laws, and the rules and orders of this Commission. The applicant shall include a statement that, for each exchange on which the applicant seeks to serve, the applicant agrees to offer the securities of service to all end-users within that exchange on a non-discriminatory basis.

(2) The attachments to the application shall include the following:

(A) Copies of the applicable Articles of Incorporation, and/or partnership agreement, and/or Joint Venture agreement and, where they exist, by-laws of the applicant for a Certificate of Convenience and Necessity and any entity owning a whole or controlling interest in the applicant for a Certificate of Convenience and Necessity.

(B) A copy of the applicants' license to do business in the State of Oklahoma.

(C) Proof that the surety bond required in subsection (f) of this Section has been obtained, if applicable.

(D) Documentation indicating the applicant's organizational structure and ownership such as:

(i) For corporations, partnerships and/or joint ventures, the applicant's stockholders annual reports and SEC 10Ks for the last three (3) years, if available, or, if the company is not publicly traded, its audited financial statements for the last three (3) years, if available, or other documentation as may be requested by the Commission.

(ii) A sole proprietor shall provide audited financial statements for the last three (3) years, if available, or other documentation as may be requested by the Commission.

(E) A brief description of its history of providing the requested local exchange service, or other telecommunications services, in order to demonstrate its managerial experience. The history shall include a list of the geographic areas in which it previously provided service and/or is currently providing service and such other documentation as may be requested by the

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Commission. Applicants for a Certificate of Convenience and Necessity without prior experience shall list the experience of each principal officer, partner, or sole proprietor in order to demonstrate its managerial ability, and/or provide other documentation as may be requested by the Commission.

(E) A description of the applicant's experience in providing telecommunications services in order to demonstrate its technical abilities. In the case of applicants for a Certificate of Convenience and Necessity without prior experience, the applicant shall provide documentation which supports its technical abilities or other documentation as may be requested by the Commission.

(G) The name, address and toll-free telephone number that an enduser may contact concerning repairs and maintenance, complaints, billing questions, refunds and any other customer service-related inquiries.

(H) The contact name, address and telephone number of the individual with overall responsibility for repairs and maintenance, complaints, billing questions, refunds and any other customer service-related inquiries. This will be the principal contact for the Commission's Consumer Services Division regarding complaints involving the telecommunications service provider.

(I) The contact name, address and telephone number of the principal contact for the Commission's Public Utility Division regarding any questions which are not customer service-related.

(J) A list of all other states, if any, where:

(i) The applicant is authorized to operate;

(ii) Such authorization is pending;

(iii) A request for authorization has been denied, including the reason stated for denial, with a certified copy of the denial document attached; and/or

(iv) Authorization has been revoked, with a certified copy of the revocation document attached.

(K) A complete set of proposed initial tariffs which include the terms and conditions of service and all rates and charges for each service classification in a format consistent with Subchapter 5 of this Chapter.

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- (L) A list of the exchange or exchanges to be served which conforms with OAC 185:25-13-10.5.
- (M) A description of the deposit and disconnection rules to be applied to end-users by the applicant, all of which shall conform to Subchapter 11 of this Chapter.
- (N) A statement setting forth the accounting system to be utilized by the applicant (the FDC-approved Uniform System of Accounts or another accounting system) and a Chart of Accounts.
- (O) A listing of the complete name(s), including any trade name(s), corporate or primary business name, street address(es) and name/address(es) of principal officers of any affiliates and/or subsidiaries providing telecommunications and/or other services to the entity making the application desiring to sell the requested telecommunications service to the public in the State of Oklahoma, unless otherwise ordered by the Commission.
- (P) A copy of the applicant's proposed complaints ledger.
- (Q) A copy of the applicant's proposed letter of authorization to be used by the telecommunications service provider to obtain written authorization from an end-user to switch telecommunications service providers, consistent with OAC 185:25-17-33.
- (3) The Public Utility Division Staff may issue data requests for additional information as may be required after its initial review of an application.
- (4) The final contract(s), if any, between telecommunications service providers shall be provided to the Public Utility Division as soon as such contract(s) become available. Protective relief may be sought pursuant to 51 O.S. § 24A.22.
- (d) Notice requirements. Applicants for a Certificate of Convenience and Necessity shall provide Notice of the Application to be given by mail or personal service to the Attorney General of the State of Oklahoma and to any telecommunications service provider possessing a Certificate of Convenience and Necessity applicable to the area sought to be served by the applicant.
- (a) Approval requirement. The Commission shall approve or deny such

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application within one hundred twenty (120) days of the date the application is filed. No Certificate of Convenience and Necessity shall be granted except by Order of the Commission after notice and hearing.

(f) Surety requirements for an applicant for Certificate of Convenience and Necessity. The applicant for a Certificate of Convenience and Necessity shall maintain a third-party surety bond as set forth in this subsection.

(1) An applicant that does not have at least one million dollars (\$1,000,000) net book value invested in telephone plant and/or telephone facilities located in Oklahoma shall be required to post and maintain a third-party surety bond in, at a minimum, an amount sufficient for the indemnification of one hundred ten percent (110%) of its projected customer deposits.

(2) The bond shall be maintained as long as the telecommunications service provider is furnishing telecommunications services in the State of Oklahoma pursuant to this Chapter to insure the protection of the applicant's end-users.

(3) The Commission may modify the requirements of this subsection for good cause shown after such notice and hearing, if any, as the Commission may require.

165:55-3-5. Notice of hearing for Certificate of Convenience and Necessity

Notice of a hearing concerning the merits of an application for a Certificate of Convenience and Necessity shall be given by publication. At least thirty (30) days prior to the hearing, the applicant shall cause notice of the hearing to be published once a week for two (2) consecutive weeks in a newspaper of general circulation in each exchange where service will be offered. Publication shall be at the expense of the applicant and shall be made in a newspaper which has met the statutory requirements for publication of legal notices. A "Proof of Publication" document shall be filed in the cause with the Commission's Office of the Court Clerk within seven (7) days of the last publication date.

PART 3. GENERAL REQUIREMENTS FOR RECORDS AND REPORTS

165:55-3-10. Who shall file

The record keeping, report, and filing requirements listed in this Chapter shall apply to all telephone companies telecommunications service providers operating

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unless SWBT agrees to an extension of the period for such review; or permit such statement to take effect.

(h) **Continued review of SWBT's statement of generally available terms.** In the event the Commission has permitted the statement of SWBT to take effect pursuant to paragraph (2) of subsection (g), the Commission may continue to review said statement after it is effective and the Commission may approve or disapprove said statement if it does not meet the requirements of paragraph (1) of subsection (g).

(i) **Duty to negotiate not affected.** The submission or approval of a statement under subsection (g) shall not relieve SWBT of its duty to negotiate the terms and conditions of an agreement pursuant to OAC 165:55-17-5.

(j) **Consolidation of proceedings.** Where not inconsistent with the requirements of the Telecommunications Act of 1996, the Commission may, to the extent practical, consolidate proceedings under OAC 165:55-17-5 and OAC 165:55-17-7, in order to reduce administrative burdens on telecommunications service providers, other parties to the proceedings, and the Commission in carrying out its responsibilities under the Telecommunications Act of 1996.

(k) **Availability for public inspection.** The Commission will make a copy of each agreement approved under subsection (e) and each statement approved under subsection (g) available for public inspection and copying within 10 days after the agreement or statement is approved. The Commission will charge the fees set forth in OAC 165:5-3-1 to cover the costs of processing an application and copying.

(l) **Availability to other telecommunications service providers.** A telecommunications service provider shall make available any interconnection, service, or network element provided under an agreement approved under this Section to which it is a party, to any other requesting telecommunications service provider, upon the same terms and conditions as those provided in the agreement.

165:55-17-9. Resale of local telecommunications service

(a) **Elimination of resale restrictions.** Except as provided in this Subchapter, each telecommunications service provider has the duty not to prohibit, and not to impose unreasonable or discriminatory conditions or limitations on, the resale of its telecommunications services. Telecommunications services may be resold, either on a stand-alone basis, or as part of a package of services. Any

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telecommunications service provider, in order to enter a service territory, may build facilities, resell services, resell network elements, or any combination thereof.

(b) **Allowable resale restriction.** A telecommunications service provider that obtains, at wholesale rates, a telecommunications service that is available at retail only to a specified category of end-users may only resell such service to the same category of end-users.

(c) **Incumbent LEC wholesale rates.** Each incumbent LEC has the duty to offer for resale, at wholesale rates, any telecommunications service that the incumbent LEC provides at retail to end-users who are not telecommunications service providers. Wholesale rates of services shall exclude costs attributable to marketing, billing, collection and other costs that will be avoided by the incumbent LEC in providing the service on a wholesale basis.

(d) **Automated interfaces.** To the extent an incumbent LEC provides itself, its affiliate, or its subsidiary automated access for purposes of initiating service ordering, maintenance, or repair, said incumbent shall make such access available to the same extent, and for the same purposes, to other telecommunications service providers on rates, terms, and conditions that are just, reasonable and nondiscriminatory.

165:55-17-11. Unbundling of incumbent LEC networks

(a) Upon receipt of a bona fide request, each incumbent LEC shall enter into good faith negotiations to unbundle its network elements to the exchange(s) and/or zone(s) specifically requested in the bona fide requests. Said unbundling shall be available at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory. Subject to the negotiation and arbitration requirements of OAC 165:55-17-5, said unbundling may include:

- (1) Loop distribution;
- (2) Loop concentration;
- (3) Loop feeder;
- (4) Switching;
- (5) Dedicated transport links;
- (6) Common transport links;
- (7) Tandem switching;
- (8) Signaling link;
- (9) Operator service systems;

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- (10) Signalling transfer point;
 - (11) Such service control point functionality necessary for interconnection and routing calls and to facilitate self-provisioning by another telecommunications service provider of unbundled service functions.
- (b) Prior to entering the interLATA toll market, SWBT shall, at a minimum, offer to unbundle its network elements as follows:
- (1) Local loop transmission from the central office to the end-user's premises which is unbundled from local switching or other services;
 - (2) Local transport from the trunk side of a wireline telecommunications service provider switch which is unbundled from switching or other services; and,
 - (3) Local switching unbundled from transport, local loop transmission, or other service.
 - (4) Nondiscriminatory access to:
 - (A) 911 and E911 services;
 - (B) Directory assistance services to allow other telecommunications service providers' end-users to obtain telephone numbers; and,
 - (C) Operator call completion services.
- (c) Subsection (a) of this Section shall not be applicable to a rural telephone company until such time as the Commission has determined that the bona fide request is not unduly economically burdensome, is technically feasible and is consistent with universal service.

165:56-17-13. Interconnection of networks

(a) Local exchange telecommunications networks shall be interconnected, where technically feasible, so that end-users of any telecommunications service provider can seamlessly send and/or receive calls without any diminution in service quality regardless of the telecommunications service provider selected by the end-user or the called party. Such interconnection shall be made available, when requested by a competing telecommunications service provider, on an unbundled basis equally and on a nondiscriminatory basis.

(b) A telecommunications service provider shall make available any interconnection, service, or network element, provided under an agreement to which it is a party and which has been approved by the Commissions pursuant to

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OAC 165:55-17-7 to any other requesting telecommunications service provider upon the same terms and conditions as those provided in the agreement.

(c) Interconnection arrangements must be made available pursuant to a written request. No refusal or unreasonable delay by any telecommunications service provider to another will be allowed, unless ordered by the Commission, after notice and hearing. If a dispute arises that cannot be resolved between the parties, the parties may file an application with the Commission to request a resolution of the dispute by the Commission, pursuant to OAC 165:55-17-7.

165:55-17-15. Reciprocal compensation

(a) Local telecommunications traffic shall be terminated on a nondiscriminatory basis for reciprocal compensation. The Commission will not consider the terms and conditions for reciprocal compensation to be just and reasonable unless:

(1) Such terms and conditions provide for the mutual and reciprocal recovery by each telecommunications service provider of the costs associated with the transport and termination on each telecommunications service provider's network facilities related to traffic that originates on the network facilities of the other telecommunications service provider; and,

(2) Such terms and conditions determine said costs on the basis of a reasonable approximation of the additional costs of terminating said traffic.

(b) This Section shall not be construed:

(1) To preclude arrangements that afford the mutual recovery of costs through the offsetting of reciprocal obligations, including arrangements that waive mutual recovery (such as bill-and-keep arrangements); or,

(2) To require telecommunications service providers to maintain records with respect to the additional costs of said traffic.

165:55-17-17. Number portability and dialing parity

(a) In General. All telecommunications service providers subject to OAC 165:55-17-5(b)(2) have the duty to provide, to the extent technically feasible, number portability in accordance with requirements prescribed by the FCC. Until

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the date the FCC issues its regulations to require number portability, number portability will be provided through remote call forwarding, direct inward dialing trunks, or other comparable arrangements, with as little impairment of functioning, quality, reliability, and convenience as possible. In addition, all telecommunications service providers shall provide dialing parity to enable an end-user to have the ability to route automatically, without the use of any access code, their traffic to the telecommunications service provider of the end-user's designation, regardless of which telecommunications service provider originates and terminates the traffic.

(b) **Additional State Requirements.** To the extent a telecommunications service provider allows an end-user to retain the same telephone number when changing service locations within a wire center, said telecommunications service provider must allow an end-user to retain the same telephone number when changing service locations and telecommunications service providers within a wire center.

(c) **Public Numbering Resources.** Until the date by which telecommunications numbering administration guidelines are established by the FCC, the incumbent LECs shall provide nondiscriminatory access to telephone numbers for assignment to the other telecommunications service provider's end-users. After that date, compliance with such FCC guidelines, plan or rules is required.

(d) **Cost recovery.** The costs of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications service providers on a competitively neutral basis consistent with FCC rules and regulations.

165:55-17-19. Universal service

Universal service is a paramount goal of the Commission's telecommunications policy. The purpose of universal service is to ensure that all end-users have access to basic residential intrastate voice and/or relay service at a reasonable and affordable price.

165:55-17-21. Universal service fund

(a) The Commission may establish a Universal Service Fund ("USF") to preserve and advance universal service in Oklahoma. Every telecommunications

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service provider shall contribute, on an equitable and nondiscriminatory basis, for the preservation and advancement of universal service in Oklahoma, in a manner established by the Commission .

(b) Within thirty (30) days after submission of the Commission's Agency Rule Report amending this Subchapter to the Oklahoma Legislature, the Commission shall initiate a docket for the purpose of investigating the need to establish a USF. The docket shall include, but not be limited to, evaluation of the definition of basic local service, the calculation of a subsidy, if any, required to support the goal of universal service and to determine a telecommunications service provider's eligibility for receipt of any funding. Scheduling of the docket shall be designed to complete the Commission's evaluation of universal service within one hundred eighty (180) days of the effective date of this Subchapter, unless otherwise ordered by the Commission.

165:55-17-23. Nondiscriminatory access to rights-of-way

(a) Each telecommunications service provider subject to OAC 165:55-17-5 shall afford access to its poles, ducts, conduits, and rights-of-way to other telecommunications service providers on rates, terms, and conditions that are just, reasonable and nondiscriminatory. Rights-of-way shall include public rights-of-way, and private rights-of-way, to the extent that access to private rights-of-way is not restricted or prohibited by law or contract.

(b) If a telecommunications service provider-owner or -lessee of a pole, duct, conduit, or right-of-way intends to modify or alter such pole, duct, conduit, or right-of-way, said telecommunications service provider shall, whenever possible, provide thirty (30) days advance written notification of such action to any entity that has obtained an attachment to such conduit or right-of-way so that such entity may have a reasonable opportunity to add to or modify its existing attachment. Any entity that adds to or modifies its existing attachment after receiving such notification shall bear a proportionate share of the costs incurred by the owner or lessee in making such pole, duct, conduit, or right-of-way accessible.

(c) An entity that obtains an attachment to a pole, conduit, or right-of-way shall not be required to bear any of the costs of rearranging or replacing its attachment, if such rearrangement or replacement is required as a result of an additional attachment or the modification of an existing attachment sought by any other entity, including the owner or lessee of such pole, duct, conduit, or right-of-way.

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(d) An entity that engages in the provision of telecommunications services shall impute to its costs of providing such services (and charge any affiliate, subsidiary, or associate company engaged in the provision of such services) an equal amount to the pole attachment rate for which such company would be liable.

165:55-17-26. Costing standards

(a) To facilitate the Commission's ability to arbitrate agreements between telecommunications service providers when negotiations have resulted in a party requesting the Commission to arbitrate, the telecommunications service provider owning facilities that are the subject of arbitration shall provide to the Commission the following cost studies, for those services in dispute, no later than one hundred sixty (160) days after the receipt of a request for negotiation:

- (1) Long-run incremental cost ("LRIC") studies and studies identifying a contribution to common costs for interconnection of facilities and network elements; or,
- (2) Marketing, billing, collection and other costs that will be avoided by the telecommunications service provider for any resold services.

(b) To facilitate the Commission's ability to review and approve negotiated agreements between telecommunications service providers, both parties shall provide to the Commission Staff, within ten (10) days following the request, any information, including LRIC studies, necessary to demonstrate that the negotiated agreement does not discriminate against a telecommunications service provider which is not a party to the agreement.

165:55-17-27. Pricing and Imputation standards

(a) **Interconnection and network element charges.** Prices for network elements and interconnection of facilities and equipment shall be deemed just and reasonable if they are

- (1) Based on the cost, determined without reference to a rate-of-return or other rate-based proceeding, of providing the interconnection or network element, whichever is applicable;
- (2) Nondiscriminatory; and,

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- (3) Include a reasonable profit.
- (b) Charges for transport and termination of traffic. The terms and conditions for reciprocal compensation shall be consistent with OAC 165:55-17-15.
- (c) Wholesale prices for telecommunications services. Telecommunications service providers shall provide wholesale rates for all retail telecommunications services sold to end-users on the basis of the retail rates, excluding the portion thereof attributable to any marketing, billing, collection and other costs that will be avoided by telecommunications service providers in providing the service on a wholesale basis.
- (d) Southwestern Bell Telephone Company Imputation. Southwestern Bell Telephone Company shall charge its affiliates, or impute to itself if using the access for provision of its own services, an amount for access to its telephone service and exchange access that is no less than the amount charged to any unaffiliated IXC's for such service.
- (f) End-user rates. No competitive LEC shall charge any end-user a retail rate for basic local service which is more than 5% above the effective retail rate for basic local service of the incumbent LEC, inclusive of WACP or EAS additives; unless otherwise ordered by the Commission, after notice and hearing.

165:55-17-29. Carrier of Last Resort/Eligible Telecommunications Carrier

Each incumbent LEC is designated as a Carrier of Last Resort for the territory for which it was certified on the date of the adoption of the Federal Telecommunications Act of 1996. For the purpose of eligibility to receive federal universal service support under 47 U.S.C. §214(e), each Carrier of Last Resort is designated as an eligible telecommunications service provider for its respective service territory. An eligible telecommunications service provider shall, throughout its service territory:

- (1) Offer the telecommunications services that are supported by Federal universal service support mechanisms under 47 U.S.C. §254(c), either using its own facilities or a combination of its own facilities and resale of another telecommunications service provider's services, including the services offered by another eligible telecommunications service provider; and,
- (2) Advertise the availability of such telecommunications services and the

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* See Volume VI for the Text of Orders shown in boldface in the text.

1. Certification requirements and removal of entry barriers (Section 253).

Each competitive provider must fill out an **application for a certificate of authority** and send it to the OrPUC. **ORS 759.020**. The requirements are described in **OAR 860-32-005** through **860-32-020**. Two lists of competitive providers in Oregon are included in the document package. Oregon state laws have been gradually amended to allow competition. In 1993, a law was passed allowing local exchange competition. **ORS 759.050**. Small telephone companies are exempt from these requirements until January 1, 1998. We have not identified any remaining entry barriers in Oregon, as entry barriers are defined in Section 253.

In January 1996, the OrPUC issued an order granting the first certificates of authority to three companies desiring to compete for switched local exchange service. **Order 96-021**. These companies are currently involved in negotiating interconnection agreements. It is likely that OrPUC will be involved in assisting the parties with their negotiations. As yet there are no carriers providing competitive local services, so it is not possible to list the services being provided. Competition will begin in earnest in the Portland, Oregon metropolitan area as soon as one of these companies is up and running.

2. Interconnection and collocation (Sections 251(a), (c)(2), & (c)(6)).

The OrPUC's rules related to Open Network Architecture set forth in **Order 93-852** and in the order related to competitive providers, **Order 96-021**. The Open Network Architecture rules are in **Division 35 of the Oregon Administrative Rules**. The point of interconnection may be at any place where it is technically feasible. **Order 96-021** required compensation for exchange of local traffic to be on a bill-and-keep basis, pending development of a cost-based method of assessing charges (pages 52-61). A work group was established to develop a reciprocal compensation mechanism by early 1998. The OrPUC required LECs to offer both physical collocation and virtual collocation in its **Order 93-852**, however, the portion of the order requiring physical collocation was overturned by the state courts. The OrPUC has now appealed this decision to the U. S. Supreme Court. Virtual collocation is still required.

3(a). Unbundled access (Section 251(c)(3), 252(d)(1)).

The OrPUC's Open Network Architecture rules, **OAR 860-35-010 through 860-35-130**, require unbundling. Rates are to be tariffed. LECs offering enhanced services must impute the tariffed price that it charges to others whenever it uses a service itself. The large LECs have ONA tariffs on file. These tariffs have very limited unbundling at this time, pending an upcoming order in OrPUC Docket UM 351. This docket addresses the level, extent, and implementation of unbundling key portions of the LECs' networks (e.g., loops, switching, transport, signaling). Several proposals before the OrPUC would require extensive unbundling, including functionalities which could be considered proprietary (e.g., Signaling System 7 (SS 7) control points and protocols). A decision in Docket UM 351 is expected in May 1996.

3(b). Pricing of unbundled access (Sections 251(c)(3) and 252(d)(1)).

In Order 93-1118, the OrPUC adopted the following test for cross-subsidization: "The per unit price of each service must cover its volume-sensitive costs. Revenues from each service shall cover the volume-sensitive and volume-insensitive costs for the building blocks that comprise the service, plus any service-specific costs. Revenues from groups of services shall cover the volume-sensitive and volume-insensitive costs of the building blocks that comprise the services in the group, plus any group volume-insensitive costs for all the services in the group. Exceptions to this guideline must be identified and justified. "

The costs referred to are forward-looking costs, determined based on seven cost principles that came out of the UM 351 Cost Workshop Cost Report - Volume I. These principles, also adopted in Order 93-1118, are:

LONG RUN Long Run implies a period long enough that all inputs are avoidable.

LEAST COST TECHNOLOGY Long Run Incremental Cost (LRIC) estimates should reflect the overall least-cost technology for the network.

COST CAUSATION Cost will be associated with a building block or group of building blocks to the extent costs are incurred in offering the service in general (both new and existing services) or providing additional service. Any difference in cost between the overall least-cost technology and the least-cost technology for a major function of the firm should be attributed to the building block or group of building blocks that cause the selection of the overall least-cost technology.

NETWORK CONFIGURATION The current location of, or planned changes to, existing network *hubs* and *spokes* will be used in cost estimation methods. Additionally, facility cost estimates will be based on a complete replacement assumption, and will reflect the overall least cost alternative as required by Cost Principle number two.

BUILDING BLOCK AND SERVICE COSTS LRIC estimates will be developed at the building block level. A building block is *the smallest level of network functionality that feasibly may be tarified and offered as a service. The LRIC of a building block is based on the cost elements associated with network functionality.* The cost of a particular service is determined by combining the appropriate building block costs and all other costs caused by the decision to offer the service (e.g., product management for 800 service).

INCREMENT The concept of LRIC is based upon an increment that is large enough to capture all relevant changes in the total cost of the firm caused by the decision to offer the service or provide the building block.

FACTORS AND LOADINGS In order to capture costs associated with the provisioning of a building block, factors and investment loadings should be used when costs cannot easily be identified directly. Factors and loadings consist of annual cost factors and investment loadings.

Common costs are not included in the cost estimates developed using the seven cost principles. The OrPUC is currently reviewing the allocation of common costs, and is expected to issue an order on that issue in May 1996.

The OrPUC's philosophy with respect to marginal costs is stated in Order 90-920, pages 16-17: " Rates which reflect the incremental (or marginal) cost of service encourage better resource utilization by conveying accurate price signals to consumers of these services. If rates do not reflect incremental cost, consumers may be induced to make inefficient purchasing decisions and waste valuable resources. This basic principle has been recognized by the Commission for many years in the pricing of electricity and natural gas service. It is no less applicable to the pricing of telecommunications service."

Rates that are set at a level equal to at least marginal cost will insure that cross-subsidization and anti-competitive behavior do not occur. Incremental cost analysis is essential to the existence of effective competition in the telecommunications industry

LECs are allowed pricing flexibility, within reasonable parameters, to adjust their prices to respond to competition and other market objectives. **Order 96-021, page 82.** Pricing flexibility in this instance means that companies may offer discount plans based on quantity and length of contract, as well. Some special contracts include volume discounts. US West has implemented Local Transport Restructure in its intrastate access tariff. Rate deaveraging is allowed by **ORS 759.050(5)(b)**. If the OrPUC were to decide at some point in the future to order the fully-regulated LECs to implement a deaveraged rate design, an additional universal service mechanism to provide support to targeted high-cost residential customers would be implemented, as well.

The Universal Service rate determined in **Order 93-1133** is a separately-stated rate paid by participating carriers into the universal service pool of funds.

3(c). Rates, terms and conditions (Sections 251(c)(2)(d) and 252(d)(1)).

Interconnection tariffs for interconnection between LECs and new entrants have not been established. LECs are required to offer ancillary services to their competitors using the rates, terms and conditions at which the LECs offer these services to independent local exchange carriers. **Order 96-021.** The amount of regulatory oversight and the pricing principles involved in the provision of ancillary services vary depending on the service involved. Some interconnection terms and conditions were established in **Order 96-021.** Competitors will participate in Oregon's universal service plan known as the Oregon Customer Access Fund (OCAF) Plan. They also must provide E-911 service. LECs are required to interconnect with competitors on the same terms and conditions that they use to interconnect with each other. Competitive carriers are to follow existing protocols and procedures and install equipment that complies with network standards.

4. Mutual compensation (reciprocal compensation) (Sections 251(b)(5) and 252(d)(2)).

As a short-term solution, the OrPUC has adopted bill and keep as the compensation arrangement for transport and traffic termination, to be in effect for not more than 24 months. **Order 96-021** also established a work group to formulate proposals for a reciprocal compensation structure. The goal of the OrPUC is to implement an integrated pricing structure that is nondiscriminatory and technologically neutral, and that encourages the most efficient use of network resources. Based on our current best estimates of costs over the long term, prices for end office termination and tandem termination would be different, but the difference would not be large.

5. Resale (Sections 251(b)(1) & (c)(4) and 252(d)(3)).

In **Order 90-920**, sale of additional centrex lines to resellers in an arrangement involving eight or more users was prohibited; later this prohibition was lifted. Currently there is limited resale of centrex services by resellers in Oregon. Resellers of centrex services must pay a surcharge. **Order 94-1055.** Other resale restrictions exist. An example of prohibition on resale can be found in a tariff filed by **U S West Communications, Inc., labeled 5. EXCHANGE SERVICES.** Section 5.10B of this tariff states that any customer of record who shares or resells service must subscribe to business service. Residential service may not be resold.

The issue of retail rates vs. wholesale rates arose in phase II of Docket UM 351, but no difference between retail rates and wholesale rates was proposed by OrPUC staff in that docket. A decision on this issue is expected in May. In Docket UM 351, OrPUC staff proposed that the existing prohibitions on resale of bundled services should be retained until after rates are rebalanced relative to incremental costs. OrPUC staff further proposed that all use and user restrictions on LEC unbundled services should be eliminated, although unbundled services would be available only to switched local service competitors (i.e., Alternative Exchange Carriers) until LECs' bundled service rates are rebalanced relative to incremental cost.

6. Number portability (Section 251(b)(2) and 251(e)).

The OrPUC established interim number portability in **Order 96-021, pages 78-79**.

In February, US West filed a tariff to offer number portability using remote call forwarding or Directory Number Route Indexing. Additionally, the OrPUC established a work group to advise it on the timing and implementation of a database number portability solution. The OrPUC desires to establish a database number portability solution as soon as possible. The first report from the work group is due in June 1996.

7. Dialing parity (Sections 251(b)(3)).

Dialing parity is not required under OrPUC **Order 88-666**. There are two primary intrastate toll carriers in Oregon: US West and GTE. GTE provides intrastate toll service for its own customers, and US West is the designated carrier for the rest of the state. A dial-around solution has been adopted to allow customers access to other toll carriers. If GTE tries to enter the interLATA toll market in Oregon, the OrPUC is likely to consider dialing parity issues again.

8. Universal service (Section 254).

Oregon's state-wide universal service plan is described in **Order 93-1133** and **Order 95-1103**. The design objectives for Oregon's universal service effort are:

General: A universal service fund should (1) be administratively simple and low cost, (2) provide a minimum amount of support necessary to maintain affordable basic network access services, and (3) require the price of basic service to cover costs prior to applying universal service credits.

Collection criteria (who pays): Universal service should (1) be supported by a broad user base and (2) be as competitively neutral as possible.

Distribution criteria (who receives): Universal service should (1) maintain affordable basic local exchange service, (2) promote operating efficiency, and (3) eliminate artificial investment incentives.

The direction of this decision was to make subsidies more explicit and to make them competitively neutral. The OrPUC may seek additional legislative authority to require radio common carriers to contribute to universal service. Oregon's universal service plan features compensation both to high-cost carriers and to low-income individuals. Toll blocking is free to low-income customers. Targeted high-cost residential customers will receive additional support if the OrPUC orders LECs to deaverage. Other techniques being employed in Oregon to advance universal service goals include low service connection charges, low-cost service options (e.g. budget measured service), and elimination of mileage charges for rural customers. Oregon participates in federal universal service programs to assist low-income consumers. Oregon also participates in the federal Telecommunications Relay Service program, and has its own program called the Telecommunications Devices Access Program, available to speech- and hearing-impaired individuals. More information on these programs is on the fact sheet labeled **Residential Service Protection Fund**.

10. Geographic averaging (Section 254(g)).

Toll rates in Oregon are geographically averaged. US West is currently required to offer intraLATA toll service on a state-wide average basis under its Alternative Form of Regulation plan, which expires at the end of 1996. There are differences in rates between interLATA toll charges and intraLATA toll charges, but the differences are small. EAS rates are not geographically averaged. LECs in Oregon may deaverage rates in response to OrPUC-established competitive zones. **ORS 759.050(5)(b)**. The OrPUC's universal service policy includes a mechanism to assist high-cost residential customers in the event that rate deaveraging takes place. The OrPUC is expected to address rate deaveraging in general in its order in Docket UM 351 to be issued in May 1996.

Pennsylvania*

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* See Volume VII for the Text of Orders referenced in this response.

1. Certification Requirements and Removal of Barriers to Entry (Section 253).

With the enactment of Chapter 30 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 3001 et seq., in 1993, the Commission was given the authority to certify more than one local exchange telecommunications company to provide local telecommunications service. See 66 Pa. C.S. § 3009(a). 66 Pa. C.S. § 3009(a) requires that applications to provide competitive local service be granted "upon a showing that it is in the public interest and that the applicant possesses sufficient technical, financial and managerial resources." 66 Pa. C.S. § 3009(a) makes no distinction between facilities-based and resale carriers and, thus, the Commission has applied its requirements to facilities-based and resale local exchange service alike.

Since it is generally agreed that the sort of "fitness showing" required by 66 Pa. C.S. § 3009(a) would in all likelihood be perceived as a barrier to entry under the federal Act, the Commission is presently considering modifications to its current procedures to comply with the Telecommunications Act of 1996, and will soon be releasing an order seeking comment on this and other issues raised by the Act which will have an impact upon current Commission procedures. In the interim, in lieu of the traditional "fitness showing", the Commission will be asking parties to suggest procedures which the Commission might use until its final order or rules on this issue can be made effective.

Prior to passage of the Act, the Commission had certificated four alternative providers pursuant to 66 Pa. C.S. § 3009. It is the Commission's understanding that the services of almost all of these alternative providers are to be offered on a resale basis. Additionally, these providers were all seeking fairly limited authority to offer various business service offerings to business customers. However, since these alternative providers have not been offering service for any length of time, their competitive impact at this time is believed to be minimal. In the first application filed after passage of the federal Act, AT&T on March 1, 1996, has asked for authority to provide local exchange service to both business and residential customers. It is unclear to the Commission at this time, however, which markets in Pennsylvania the AT&T application covers.

2. Interconnection and Collocation (Sections 251(a)(1), (c)(2), & (c)6.

In a recent Opinion and Order entered October 4, 1995, the Pennsylvania P.U.C. approved four CLEC applications for local exchange service at Docket Nos. A-310203F0002, et. al. In the October 4, 1995 Opinion and Order, the Pennsylvania P.U.C. directed the four CLECs and Bell Atlantic-Pa., Inc.:

... to negotiate a resolution of the reciprocal compensation for the termination of local calls issue. MFS and Bell shall arrive at a negotiated solution which shall be presented for Commission consideration on or before October 31, 1995. If, however, a proposed solution is not presented for our consideration on or before October 31, 1995, the Commission shall then enter an Opinion and Order disposing of the issue. In such an event, the Commission proposes to adopt such an order by November 31, 1995.

Ordering Paragraph No. 5, page 93.

However, since only the negotiations between MCImetro and Bell Atlantic-Pa. were productive, and the remaining three CLECs and Bell Atlantic-Pa. were unable to agree on an interim compensation rate for the termination of local calls, the Pennsylvania P.U.C. ordered a slight modification to the interconnection arrangement proposed by MCI and Bell Atlantic-Pa. This modified interconnection arrangement would initially govern the interconnection arrangements between Bell Atlantic and all four CLECs for the start-up of local exchange competition in Pennsylvania until the development of a permanent rate in the Commission's Universal Service Investigation at Docket No. I-00940035. The interim interconnection arrangement ordered by the Pennsylvania P.U.C. for all CLECs is as follows:

1. The parties agree to proceed promptly with all interconnection arrangements necessary for the exchange of traffic between MCI and Bell.
2. The parties agree to track all traffic between those facilities from the time that service is established until a permanent interconnection arrangement is established.
3. The parties will set up an escrow account and each party will pay into that account until such time as a permanent interconnection arrangement is established by the Commission. At that time, the amounts owed to each party from the initiation of interconnection will be determined, based upon the permanent interconnection arrangement, and there will be a "true-up" of the amounts owed to each party.
 - a. Within ten (10) business days of the installation of the first trunk for local interconnection, the parties will establish an escrow fund. Each party will deposit \$5,000 into the escrow fund within two (2) business days of the date the fund is established.
 - b. Commencing upon the first business day of each month following installation of the first trunk for local interconnection and until such time as the escrow fund is terminated, Bell will deposit \$3,250 into the fund and MCI will deposit \$3,250 into the fund. These amounts are to apply up to and including 8 local T-1 trunks for each party. All funds paid into escrow are subject to reconciliation following the adoption of a permanent interconnection rate.
4. In order to quickly establish the CLECs as physical co-carriers, each CLEC and Bell must agree to interim physical and technical interconnection including the provision of local interconnection facilities.

In addition, it is important to note that the Commission instituted a second phase of the proceeding at A-310203F0002, et. al. Phase Two was instituted to develop rules and procedures to assure full and fair competition in the local exchange market. It involves such generic issues as unbundling, number portability, uniform standards for interconnection, resale and sharing, non-discriminatory pricing by Bell for its network components, and access to conduits and rights of way.

(See copies of Orders at Docket Nos. A-310203F0002 et. al entered October 4, 1995, and December 30, 1995. Also see copies of interim interconnections between Bell and MCI).

The Pennsylvania PUC's October 4, 1995 Opinion and Order at Docket Nos. A-310203F0002 et. al also directed Bell and the CLECs to enter into reciprocal interoffice trunking arrangements to allow the efficient and uninterrupted transmission of local and interLATA traffic between the carriers' respective networks.

In addition, Bell and the CLECs were directed to enter into arrangements that include all appropriate in-band signalling and common channel signalling ("SS7") between the respective carrier's networks, switches, and signalling systems. The Commission further expects Bell and the CLECs to engineer its portion of transmission facilities terminating at traffic exchange meet-points to provide the same grade and quality of service between its switches and the other carriers' network as it provides in its own network (e.g., between its tandems and Class 5 offices). At a minimum, transmission facilities should be arranged in a sufficient quantity to each traffic exchange meet-point to provide P.01 grade of service. Circuit quality and signalling should be at least equal to inter-machine trunks, with transmission of the calling party's number in both directions. The Pennsylvania P.U.C. also permitted these technical details to be altered or expanded upon in conjunction with Phase 2 of the proceeding.

In 52 Pa. Code §69.311, the Pennsylvania P.U.C. established a Policy Statement on Expanded Interconnection for Intrastate Special Access Services. This Policy Statement is quoted as follows:

- (a) The Federal Communications Commission (FCC) requires Tier 1 Local Exchanges Carriers to offer expanded interconnection for interstate special access to all interested parties. Tier 1 Local Exchange Carriers are required to offer physical collocation to all interconnectors and the Local Exchange Carriers are free to negotiate virtual collocation arrangements if both parties prefer this arrangement over physical collocation.
- (b) The FCC will permit Tier 1 Local Exchange Carriers to file a petition for exemption from physical collocation, but envisions only one of the following justifications:
 - (1) The lack of central office space to accommodate physical collocation.
 - (2) A decision by a state legislature or state public utility regulatory agency, after a "formal proceeding" allowing interested parties a reasonable opportunity to be heard, in favor of virtual collocation for intrastate expanded interconnection or permitting the Local Exchange Carriers to select the form of collocation for intrastate expanded interconnection.
- (c) It is the Commission's policy to permit Tier 1 Local Exchange Carriers to offer, on a nondiscriminatory basis, expanded interconnection for intrastate special access either on a physical or virtual collocation basis. The expanded interconnection for intrastate special access that is offered on a virtual collocation basis shall be technically, economically and operationally comparable to the physical collocation that is being offered. The Tier 1 Local Exchange Carriers and interconnectors may negotiate mutually acceptable arrangements on an individual basis, which will be tariffed to facilitate regulatory review and enforcement of nondiscriminatory requirements.

The Pennsylvania P.U.C. also initiated a Generic Investigation on Expanded Interconnection for Intrastate Special Access by its February 1993 Order at Docket No. M-00920376. This Investigation was subsequently divided into two phases -- Phase I (issues related to special access collocation) and Phase II (issues related to switched access collocation).

Phase I was further divided into Phase IA (issues related to equipment, technical, security and protection standards for both switched and special access) and Phase IB (issues related to special access collocation pricing and cost issues as well as local transport interconnection).

By Opinion and Order entered January 6, 1994, at Docket No. M-00920376, the Commission adopted the ALJ's Recommended Decision which set forth: (a) the establishment of interconnect equipment standardization; (b) development of security guidelines; (c) establishment of protection standards; and (d) establishment of technical standards for both physical and virtual collocation. More generally, the Pennsylvania P.U.C. directed that where applicable, the interstate special access collocation technical and security standards adopted by the FCC in its Expanded Interconnection Order and Special Access Collocation Tariff Order and incorporated in the Tier 1 LEC interstate collocation tariffs should also be adopted in the intrastate special access collocation tariffs filed by the LECs.

Furthermore, each Tier 1 LEC has filed specific tariff references setting forth standards to govern the operation of LEC, IXC and CAP personnel in a physical collocation environment. These standards are designed to protect the security of LEC central office facilities. In addition, Tier 1 LECs have filed specific tariff references setting forth guidelines for handling both collocator and LEC confidential information. Each Tier 1 LEC has also filed specific tariff references describing how virtual collocation will be provided so as to ensure that virtual collocation is technically comparable to physical collocation. These standards include repair intervals, resolution of service problems and technical parameters.

By Opinion and Order entered April 8, 1994, at Docket No. M-00920376, the Pennsylvania P.U.C. ordered, relative to Phase 1B of the Generic Investigation, that the Tier I Local Exchange Companies shall file with the Pennsylvania P.U.C. intrastate special access expanded interconnection tariffs which mirror the rates of the Tier I LECs for interstate special access expanded interconnection.

By Opinion and Order entered March 31, 1995, at Docket No. M-00920376, the Pennsylvania P.U.C. ordered, relative to Phase 2 of the Generic Investigation, that Tier 1 LECs shall file with the Pennsylvania P.U.C. intrastate switched access virtual expanded interconnection tariffs which mirror the rate structure for all rate elements contained in the interstate switched access expanded interconnection tariffs for virtual collocation which were filed with the FCC on September 1, 1994. For each virtual expanded interconnection rate element, the Tier 1 LECs may file with the Pennsylvania P.U.C. either: 1) rates which mirror the LEC's interstate switched access expanded interconnection rates for virtual collocation, supported by the data submitted to the FCC in support of their respective interstate rates, and any additional cost data necessary to support the intrastate mirroring of the interstate rates; or (2) different intrastate rates which are supported by appropriate intrastate cost data. If a LEC files intrastate switched access expanded interconnection rates that are different from its interstate rates, all parties may challenge those rates in individual tariff proceedings. The March 31, 1995 Order also directed that if a Tier 1 LEC has filed its local transport restructure (LTR) tariff by December 31, 1994, the intrastate switched access expanded interconnection tariff of that LEC shall not become effective until that LEC's intrastate LTR tariff has become effective. Also, if the FCC because of its investigation, requires the Tier I LECs to revise the tariffs, the LECs agree to file within thirty (3) days of such an FCC order, intrastate tariffs mirroring the FCC required changes to those portions of the interstate tariffs which were initially mirrored by that LEC, along with all material submitted to the FCC in support of the interstate tariff filings, including cost support information and any additional cost support data necessary to support the intrastate tariff changes. Finally, the March 31, 1995 Order directed that if the FCC or the courts impose different rate levels or rate structure for switched access expanded interconnection, and if a Tier I LEC has elected to mirror the interstate rates for switched access expanded interconnection rates in its intrastate filing, then that LEC shall also mirror any FCC or court ordered remedy for intrastate expanded interconnectors.

In addition, in the Pennsylvania P.U.C.'s October 4, 1995 Opinion and Order at Docket Nos. A-310203F0002 et. al, the Commission established a Phase II proceeding wherein Bell was directed to file a proposal addressing co-carrier interconnection arrangements with Bell's interoffice trunking, central office and tandem switching and network signalling facilities and functionalities, and all other relevant technical matters pertaining to the provision of local exchange service by a co-carrier. The results from this proceeding is still pending.

3(a) **Unbundled Access (Section 251(c)(3), 251(d)(1)).**

The legislative mandate under Chapter 30 of the Public Utility Code (66 Pa. C.S. Chapter 30) requires the Pennsylvania P.U.C. to determine whether incumbent and competitive local exchange companies are complying with the following provisions:

(1) The local exchange company shall unbundle each basic service function on which the competitive service depends and shall make the basic service functions separately available to any customer under nondiscriminatory tariffed terms and conditions, including price, that are identical to those used by the local exchange telecommunications company and its affiliates in providing its competitive service.

(2) The price which a local exchange telecommunications charges for a competitive service shall not be less than the rates charged to others for any basic service functions used by the local exchange telecommunications company or its affiliates to provide the competitive service. Revenues from rates for access services reflected in the price of competitive services shall be included in the total revenues produced by the noncompetitive services.

(3) Tariffs or price lists for competitive services filed with the commission shall either be in the public records or, if the commission determines that the rates are proprietary, be filed under seal and made available under the terms of an appropriate protective agreement of the type used in cases before the commission.

In the Pennsylvania P.U.C.'s October 4, 1995 Opinion and Order at Docket Nos. A-310203F0002 et. al, the Pennsylvania P.U.C. established a Phase II proceeding wherein Bell was ordered to file a proposal addressing co-carrier access to Bell's data bases, such as the line information data base, the utilization of technical network access interconnection and interoperability standards with a co-carrier's network, the use of Bell's billing records by a co-carrier, and all other technical matters pertaining to the provision of local exchange service by a co-carrier. These matters are still pending before the Pennsylvania P.U.C.

3(b). Pricing of Unbundled Access (Sections 251(c)(3) and 252(d)(1)).

Many of these questions remain unresolved at this point in Pennsylvania. However, in the Pennsylvania P.U.C.'s October 4, 1995 Opinion and Order at Docket Nos. A-310203F0002 et. al, the Commission established a Phase II proceeding wherein Bell was required to file an unbundling proposal to separately price the various types of facilities necessary to providing local exchange service. Bell was directed to include proposed rate information regarding the unbundled elements and functionalities for its local service loops in its proposal. The costing for these facilities are measured using TSLRIC. In addition, the parties were directed to reflect a proportion share of joint and common costs, as well as other legitimate costs, in the costing component. Bell was further directed to apply the cost allocation/cost of service findings to its unbundling tariffs and shall submit any new tariffs that may be warranted or required. Responses to Bell's proposal were assigned to a hearing before an Administrative Law Judge. The results of this proceeding are still pending.

3(c). Rates, Terms, and Conditions (Sections 251(c)(2)(d) and 252(d)(1)).

See responses to Questions #2 and #3(a) and #3(b).

4. Mutual Compensation (Reciprocal Compensation) (Sections 251(b)(5) and 252(d)(2)).

See response to Question #2.

5. Resale (Sections 251(b)(1) & (c)(4) and 252(d)(3)).

Resale of local exchange service is permitted for shared tenant service providers (STS), which can provide local exchange service to the tenants of "intelligent buildings." STS providers are not regulated by the Pennsylvania P.U.C., except for market entry and tariff/rate regulation if they also provide resale of interexchange long-distance services.

The Pennsylvania P.U.C. also preserves the right of building tenants, where the building is served by an STS provider, to select the incumbent local exchange carrier (LEC) as a provider of local exchange service. The price differential for STS local exchange service resale is essentially based on the provision of "bulk" access by the incumbent LEC to the STS provider, e.g., through the use of Direct Inward Dialing (DID) trunks. The STS provider is then able to provide local service at a discount over the incumbent LEC's tariffed local exchange rates. The STS local interconnection rates with the incumbent LEC's network may be based on both cost-of-service and "value of service" principles.

A form of local exchange service resale also takes place from independent customer-owned coin operated telephones (COCOTs). COCOT stations may be charged for local interconnection by the incumbent LECs a flat monthly rate, e.g., a flat monthly basic local exchange service rate for single-line business customers, and a per call charge. Under existing regulations, the price for local calls made from COCOT stations is generally similar to that of calls that are made from LEC-owned payphones, e.g., \$0.25 per local call.

Under the applicable provisions of Chapter 30 of Pennsylvania's Public Utility Code governing LEC alternative regulation and network modernization plans, if a service of LEC is found to be competitive and deregulated, then, the LEC "...shall not maintain or impose any resale or sharing restrictions on any service which the [Pennsylvania P.U.C.] finds to be competitive." 66 Pa. C.S. § 3005(g)(1). So far, only one alternative regulation and network modernization plan has been approved by the Pennsylvania P.U.C. for Bell Atlantic-Pennsylvania, Inc. (Bell Atlantic-Pa.), at Docket No. P-00930715, through an Order entered on June 28, 1994. Under this Order certain services of Bell Atlantic-Pa. were found to be competitive and deregulated. Although a subsequent appellate ruling by Pennsylvania's Commonwealth Court reversed this finding of the Pennsylvania P.U.C., the Pennsylvania P.U.C. has not implemented the Court's ruling and has appealed the Court's decision to the Pennsylvania Supreme Court.

One of the Bell Atlantic-Pa. services that was found to be competitive and was deregulated with the Pennsylvania P.U.C.'s June 28, 1994, Order at Docket No. P-00930715, was the Centrex service. It is unknown at this time if Bell Atlantic-Pa.'s Centrex service is being resold and under what terms and conditions. Prior to the deregulation of its Centrex service, Bell Atlantic-Pa. was able to offer Centrex service both under regular tariff provisions as well as under individual Customized Design and Pricing Option (CPDO) contracts.

Similarly, the Pennsylvania P.U.C. in the same proceeding also found that Bell Atlantic-Pa.'s Directory and Directory Advertising services were competitive and deregulated. This ruling is also subject to the same appellate proceedings outlined above. However, the Pennsylvania P.U.C. also ruled that Bell Atlantic-Pa.'s directory listings data base is a basic service function (BSF) which should be made available to directory publishers on a non-discriminatory basis as a tariffed service offering. Pennsylvania P.U.C. v. Bell Atlantic-Pa., Inc., Docket No. R-00943158, Order entered October 31, 1994.

6. Number Portability (Section 251(b)(2) and 251(e)).

In an Opinion and Order entered October 4, 1995, in Docket No. A-310203F002 et al. [Footnote - See Application of MFS Intelenet of Pennsylvania, Incorporated for a certificate of public convenience and necessity in order to operate as a local exchange telecommunications company in the areas served by Bell Telephone Company of Pennsylvania within the Philadelphia and Pittsburgh LATAs, and to establish specific policies and requirements for the interconnection of competing local exchange networks, Docket No. A-310203F0002; Application of TCG Pittsburgh for a Certificate of Public Convenience and Necessity to Operate as a Local Exchange Telecommunications Company in the Pittsburgh LATA, Docket No. A-310213F0002; Application of MCI Metro Access Transmission Services, Inc., for a Certificate of Public Convenience and Necessity to Provide and Resell Local Exchange Telecommunications Services in